

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, OCTOBER 24, 2006**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 24, 2006, commencing at 7:01 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Johnson, Mounce, and Mayor Hitchcock

Absent: Council Members – Hansen

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 Preliminary Year-End Financial Report (CM)

City Manager King provided a brief introduction of the preliminary year-end financial report and budget process, stating the overall goal associated with the budget is to control costs and expenditures while building reserves.

Deputy City Manager Krueger provided a presentation outlining the preliminary year-end financial report. Mr. Krueger stated the purpose of the report is to provide preliminary budget numbers in a format that brings informational data to individuals in a manner that is easy to read and understand. He also recommended using a similar format in the future.

Mr. Krueger provided a brief description of each of the following: general fund, electric fund, wastewater fund, water fund, library fund, capital outlay fund, community development fund, Community Development Block Grant fund, employee benefit fund, vehicle and equipment replacement fund, self-insurance fund, public safety special revenue fund, streets fund, transit fund, transportation development act fund, trust and agency fund, debt service fund, parks special grants fund, and the fleet services internal service fund. He also reviewed the unaudited reserved, unreserved, cash balance and total fund balance numbers for these funds as provided in the attachment to the agenda and made part of the record. Mr. Krueger stated detailed reports are also provided on the Internet.

Council Member Mounce asked about the need to do cash adjustments. Mr. Krueger stated the fund balances are listed on an accrual basis and the cash balance is used to pay obligations as of June 30, 2006.

Council Member Mounce inquired about the opening balance. Mr. Krueger stated he believed the rough number was between \$12 million and \$13 million. He stated he would provide Council with follow-up information.

City Manager King stated staff will bring an electric reserve policy to the Council in the near future. He stated a consultant will provide the City with specific information regarding the policy itself, implementation, and the needs of the electric fund. A related action was scheduled for the November 15, 2006, Council meeting.

Mayor Hitchcock asked if the general time frame is three to six months for the electric fund. City Manager King stated there is approximately nineteen days of cash on hand. Deputy City Manager Krueger stated he believes the time may be between fifteen and sixty days. Electric Utility Director Morrow stated the time is usually thirty to sixty days; however, the Agency tries to zero in on forty-five days.

Mayor Hitchcock asked how much the fire impact fees owe the water fund. Mr. Krueger replied \$1.2 million.

City Manager King, in reviewing the vehicle and equipment replacement fund, stated standard business practices are being reviewed to determine a rolling stock, defined as money specifically set aside for vehicle and equipment replacement on a regularly scheduled basis, which is essential in maintaining fleet and equipment over an extended period of time.

Mayor Hitchcock asked what projects were not completed in relation to the streets fund. Public Works Director Prima stated the Stockton Street project was not completed. Mr. Prima stated he would follow-up with the Council as to the other projects that were not completed.

Mayor Hitchcock inquired about the overall process of anticipating numbers for the budget. Mr. Krueger stated there is a mid-year budget adjustment. He also stated staff is very conservative with revenues and, although expenditures are anticipated, the funds are not always spent.

City Manager King stated the overall goal is to try to build reserves by being more conservative with revenues while tightening down on expenditures. He stated as the City becomes more fiscally sound and the reserves continue to build, optimism can grow.

Mayor Hitchcock asked how many years of debt service remain. Mr. Krueger stated there are approximately 20 years. Mayor Hitchcock inquired about balloon payments. Mr. Krueger stated the repayment program involves interest reduction and principal increase while the general payment remains steady.

Mr. Krueger stated the audit is taking place, the Comprehensive Annual Financial Report will be prepared, and the report to the State is due on November 1, 2006.

Mayor Pro Tempore Johnson inquired about the number of formats used for reporting. Mr. Krueger stated he is not entirely comfortable with any specific format because it is important to build a system that is useful to individuals. Mr. Krueger compared various reporting formats including those prepared for consistency among government agencies, rating agencies, and private industry. He also stated an analysis of performance measures may be conducted.

City Manager King stated the format of the report often depends upon who is telling us what to do, what information is needed, and when the information is needed. He stated Government Code Section 40804 requires the City to use the Secretary of State's form for the report that is submitted to the State. Mr. King also discussed the Governmental Accounting Standards Board, the Government Finance Officers Association, standard audits, audits without exception, Certificates of Excellence, and staff communications.

Mayor Hitchcock stated she appreciated the cash basis report, which is helpful to determine where the City stands. She asked if it is safe to assume the City has turned a corner financially. Mr. Krueger stated that while there are challenges in the future, the City has turned a corner.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:03 a.m.

ATTEST:

Randi Johl
City Clerk